

# *A Message from the Kansas State Director...*

Rural communities play a vital role in the Kansas economy and are a significant source of opportunities for future business and community development.

We at USDA Rural Development provide a wide variety of programs that can assist communities in building infrastructure, providing community services, and facilitating job creation and expansion. Our Agency's Business & Community loan and grant programs offer financial assistance in promoting rural economic and community development.

The USDA Rural Development staff is strongly committed to the delivery of these programs, while partnering with other state, local and private entities to maximize the economic benefits and quality of life opportunities for rural Kansas.

I am pleased to present to you this USDA Rural Development Business & Community Programs Desk Guide. Feel free to contact us if we can provide further assistance.

Cordially,



CHUCK BANKS  
State Director



## *Mission Statement*

*To increase economic opportunity and improve the quality of life for all rural Americans.*

***BUSINESS AND COMMUNITY PROGRAMS***

## ***DESK GUIDE***

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## ***BUSINESS AND COMMUNITY PROGRAMS***

### **PROGRAM**

### **REGULATION**

#### **Rural Business and Cooperative Programs**

Business and Industry - Guaranteed Loans	RD 4279-A & B
Business and Industry - Insured (Direct)(not funded presently)	RD 1942-A & 1980-E
Intermediary Relending Program	RD 4274-D
Rural Business Enterprise Grants	RD 1942-G
Rural Business Opportunity Grants	RD 4284-G
Rural Economic Development Loans and Grants	7 CFR 1703-B
Rural Cooperative Development Grants	RD 4284-F
Value-Added Producer Grants	RD 4284A, 4284J, and NOSA
Renewable Energy/Energy Efficiency Grants and Guaranteed Loans	RD 4280-B

#### **Rural Housing Programs**

Community Facilities - Direct Loans	RD 1942-A
Community Facilities - Guaranteed Loans	RD 3575-A
Community Facilities - Grants	RD 3570-B
Fire and Rescue Loans	RD 1942-C

#### **Rural Utilities Programs**

Distance Learning and Telemedicine Grants	RUS 1703-D
Emergency Community Water Assistance Grants	RUS 1778
Environmental Regulations	RUS 1794
Resource Conservation Development/ Loans and Watersheds/Watershed Advancements	RUS 1781
Solid Waste Management Grants	RUS 1775
Technical Assistance and Training Grants	RUS 1775
Water and Waste Disposal Loans and Grants	RUS 1780
Water and Waste Disposal Guaranteed Loans	RUS 1779

# Committed to the Future of Rural Communities

## ***How USDA Helps Rural Americans***

USDA has the unique responsibility of coordinating Federal assistance to rural areas of the nation. The USDA Rural Development mission is to help rural Americans to improve the quality of their lives.

Each year, USDA Rural Development programs create or preserve tens of thousands of rural jobs, build, and update rural infrastructure and create or improve more than 60,000 units of quality rural housing. To multiply the impact of its programs, USDA Rural Development is working with State, local and Indian tribal governments, as well as private and nonprofit organizations and user-owned cooperatives.

Rural Development programs are administered through USDA's network of State and local offices.

## ***Rural Housing and Community Programs***

Decent, affordable housing is indispensable to vibrant rural communities. USDA Rural Development's Housing Programs help finance new or improved housing for over 60,000 moderate-, low- and very-low income families each year. No rural community can thrive without adequate community facilities, so USDA Community Programs also help rural communities finance, construct, enlarge or improve fire stations, libraries, hospitals and medical clinics, industrial parks, and other community facilities.

USDA Rural Development offers direct and guaranteed loans to help very low-to moderate-income rural households purchase, construct, repair, or relocate homes. The Home Improvement and Repair Programs provide loans for very low-income homeowners to remove health and safety hazards and make homes accessible for people with disabilities. Elderly very low-income homeowners who cannot afford to repay a Home Improvement and Repair loan may be eligible for a grant. Through the Self-Help Program, Rural Development provides funding to technical assistance providers who work with groups of 6 to 10 families to build their own homes.

Rural Rental Housing Loans finance construction of rental housing for low-and moderate-income individuals and families and cooperative housing for elderly or disabled persons. Rental Assistance enables low-income tenants to pay no more than 30 percent of their income for rent.

Community Facilities Direct Loans, Loan Guarantees and Grants are used to construct, enlarge, extend, or otherwise improve community facilities providing essential services in rural areas and towns.

## ***Rural Utilities Programs***

USDA Rural Development's Rural Utilities Programs help to improve the quality of life in rural America through a variety of loan and grant programs for electric energy, telecommunications and water and waste disposal projects. Rural Utilities Programs leverage scarce Federal funds with private capital for investing in rural infrastructure, technology and development of human resources.

USDA electric and telecommunications programs provide financial aid through direct and guaranteed loans and through grants for distance learning and telemedicine programs.

The USDA Distance Learning and Telemedicine Program makes loans and grants to develop the Information Superhighway in rural America by providing broadband facilities to rural schools, hospitals and medical clinics. This assistance jump-starts the development and deployment of advanced telecommunications services throughout rural America, bringing the latest information and care to rural education and health service providers.

Rural Utilities loans and grants help develop water and waste disposal systems (including solid waste disposal and storm drainage) in rural areas and towns with a population of 10,000 or less. Grants also provide technical assistance and training, solid waste management and emergency water assistance. The Rural Utilities Programs on-site technical assistance program helps to ensure the cost-effective operation of rural water systems.

## ***Rural Business and Cooperative Programs***

USDA Rural Development works in partnership with the private sector and community-based organizations to provide financial assistance and business planning. It also provides technical assistance to rural businesses and cooperatives, conducts research into rural economic issues, and provides cooperative educational materials to the public.

USDA Rural Development Business Programs help fund projects that create or preserve quality jobs and/or promote a clean rural environment. USDA financial resources are often leveraged with those of other public and private credit source lenders to meet business and credit needs in under-served areas. Recipients of these programs may include individuals, corporations, partnerships, cooperatives, public bodies, nonprofit corporations, Indian tribes and private companies. Rural Development Business Programs include Business and Industry (B&I) Guaranteed Loans, Intermediary Relending Program Loans, Rural Business Enterprise Grants, Rural Economic Development Loans and Grants, Rural Business Opportunity Grants, and Rural Cooperative Development Grants.

USDA's Cooperative Programs helps rural residents form new cooperative businesses and improve the operations of existing cooperatives (user-owned businesses). To accomplish this, Cooperative Programs provides technical assistance to cooperatives, conducts cooperative-related research, and produces educational materials that promote public understanding of cooperatives.

USDA Rural Development program areas include:

**1890,1862 and 1994 Land-Grant Institutions Initiative**

This initiative is a cooperative effort between USDA and historically black land-grant universities to develop incomeproducing projects for underdeveloped rural communities.

**For More Information:**

Contact your nearest USDA Rural Development State or local office:

1303 SW First American Place, Suite 100,  
Topeka, KS 66604-4040, (785) 271-2730  
FAX (785) 271-2771

Website: <http://www.rurdev.usda.gov/ks>

Or you may contact the National Office of  
USDA Rural Development at (202) 720-4323.  
FAX: (202) 690-0311. Write: USDA Rural  
Development, Stop 0705, 1400 Independence  
Ave. SW, Washington D.C. 20250-0705.

Website: <http://www.rurdev.usda.gov>

*Rural  
Business  
and  
Cooperative  
Programs*

## Business Programs

Through its Business Programs, USDA Rural Development provides credit needs in under-served area, often in partnership with private-sector lenders.

### ***Commercial Lending***

#### **Business and Industry Guarantee Loans**

This program provides financial backing for rural businesses. Commercial loan guarantees are available up to 80 percent of the loan amount.

Assistance is available to virtually any legally organized entity, including:

- Individuals;
- Cooperatives;
- Corporations or partnerships;
- Trusts or other profit-oriented or nonprofit entities;
- Indian tribes or federally recognized tribal groups;
- Municipalities, counties, or other political subdivisions of a State.

The aggregate loan amount available to any one borrower under this program is limited to \$25 million at any given time. An exception to the limit is for cooperative organizations when the facility is located in a rural area and the facility provides value-added processing of an agricultural commodity. The maximum amount in such cases is \$40 million.

B&I loans are normally available in rural areas, which include all areas other than cities or towns of more than 50,000 people and the contiguous and adjacent urbanized area of such cities or towns. However, loans of up to \$25 million can be made for facilities located in

non-rural areas, provided the business is a cooperative organization engaged in value-added processing and all members of the cooperative are located within 80 miles of the facility.

### ***Revolving Loan Funds And Technical Assistance***

#### **Intermediary Relending Program Loans**

USDA Rural Development lends funds to intermediaries, which, in turn, provide loans to finance business facilities and community development projects. Projects must be located in rural areas, which for the purposes of this program excludes cities with a population of 25,000 or more. Eligible intermediaries include public bodies, nonprofit corporations, Indian tribes, and cooperatives.

#### **Rural Business Enterprise Grant Program**

This program offers grants to public bodies, nonprofit corporations, and federally recognized Indian tribal groups to finance and facilitate development of small and emerging businesses located in rural areas.

Grants may be used for:

- Acquisition and development of land and the construction of buildings, plants, and equipment, access streets and roads, parking areas and utility and service extensions;
- Revolving loan funds;
- Fees for professional services, technical assistance, etc.



### **Rural Business Opportunity Grant Program**

Under this program, funds are available for technical assistance and planning activities to improve economic conditions in rural areas.

Applicants must be located in rural areas (areas other than cities or towns of more than 50,000 people and the contiguous and adjacent urbanized areas of such cities or towns).

### **Rural Economic Development Loans and Grant Program**

Loans and grants under this program are made to Rural Development Utilities Programs-financed telephone and electric borrowers to promote rural economic development and/or job creation projects in non-urban areas. Eligible purposes include, but are not limited to, project feasibility studies, startup costs, incubator projects, and other reasonable expenses. The maximum loan and grant to any eligible recipient is established on an annual basis.

### **Rural Business Investment Program**

The Rural Business Investment Program (RBIP) promotes rural economic development through venture capital investment by for-profit Rural Business Investment Companies (RBICs).

USDA licenses newly formed for-profit entities as RBICs and provides financial assistance to fund their rural area investment activities. Additionally, USDA awards Operational Assistance grants to each RBIC for providing technical assistance to smaller enterprises.

As required in the authorizing statute, USDA has delegated to the Small Business Administration (SBA) many of the day-to-day responsibilities for the RBIP, including receipt of applications and most of the selection process for licensing as a RBIC. More information about all aspects of the RBIP is available in the regulations authorizing the program, at 7 CFR part 4290.

### **Renewable Energy and Energy Efficiency Improvement Grants**

This program provides grants, loans, and loan guarantees to eligible farmers, ranchers, and rural small businesses to assist in developing renewable energy systems and make energy efficiency improvements. Projects provided assistance must be located in a rural area (any area other than cities or towns of greater than 50,000 population and the immediate and adjacent urbanized areas of the cities or towns).

### **Renewable energy and energy efficiency Improvement Grants, cont:**

Eligible small businesses include sole proprietorships, partnerships, corporations, and cooperatives organized in accordance with 501c(12) of the Internal Revenue Code. In addition, the applicant must meet the Small Business Administration's Small Business size standards.

***For More Information***

Detailed information and applications for financial assistance are available through State and local offices of USDA Rural Development. Some of the authorized programs described above require the implementation of regulations before they are available for funding projects. Consult your USDA Rural Development State Office for information on fund availability:

USDA Rural Development  
1303 SW First American Place  
Suite 100  
Topeka, Kansas 66604-4040  
(785) 271-2730  
FAX (785) 271-2771  
Website: <http://www.rurdev.usda.gov/ks>

For more information on USDA Rural Development Business programs, you may also call the Rural Development National Office at (202) 720-0813, or connect to the Rural Development website:

<http://www.rurdev.usda.gov>

## ***BUSINESS AND INDUSTRY GUARANTEED LOAN PROGRAM***

### ***A Guarantee to Help Businesses Save or Create Jobs***

The Business and Industrial Loan Guarantee Program guarantees loans by eligible local lenders to businesses to benefit rural areas. The program's primary purpose is to create and maintain employment and improve the economic and environmental climate in rural communities. This is achieved by expanding the existing private credit structure capability to make and service quality loans to provide lasting community benefits. Administered by the Rural Business and Cooperative Program of USDA's Rural Development, the program typically guarantees losses on up to 80 percent of the original loan amount. Inability to obtain other credit is not a requirement.

#### **Benefits to Businesses**

- Higher loan amounts, strengthens the loan application, less equity injection, lower interest rates, and longer repayment terms assist businesses that may not qualify for conventional lender financing.
- Assists a business in providing stability, growth, expansion, and rural employment.

#### **Benefits to Lenders**

- Provides lenders with another tool to expand their loan portfolio.
- Improves the economy and quality of life in rural communities.
- Reduces concerns regarding collateral/appraisal issues often found in smaller communities.
- Allows lenders to make loans above their legal lending limits.

#### **Eligible Areas**

Business and industrial loans can be guaranteed in rural cities up to 50,000 population. Priority is given to applications for loans in rural communities of 25,000 or less.

#### **Eligible Borrowers**

Any legal entity, including individuals, public and private organizations and federally recognized Indian tribal groups, may borrow. There is no size restriction on the business. Local economic development organizations and investors can be considered.

#### **Eligible Loan Purposes**

- Business and industrial acquisitions, construction, conversion, expansion, repair, modernization, or development costs.
- Purchase of equipment, machinery, or supplies.
- Startup costs and working capital.
- Processing and marketing facilities.
- Pollution control and abatement.
- Refinancing for viable projects, under certain conditions.

**Maximum Loan Amount**

Loan guarantees are limited to a maximum of \$10 million per borrower, although the USDA Rural Development Administrator can grant up to \$25 million.

**Loan Guarantee Limits (maximum percentage applies to the entire loan)**

- 80% up to \$5 million
- 70% over \$5 million to \$10 million
- 60% over \$10 million to \$25 million

**Collateral - Appraisals**

All collateral must secure the entire loan. Repayment must be reasonably assured. Personal and corporate guarantees are required. A qualified appraisal report is required on property that will serve as collateral.

**Loan-to-Appraised Market Value Ratios**

Lenders will discount collateral consistent with sound loan-to-value policy.

**Maximum Repayment Terms**

- Working capital - 7 years
- Machinery and equipment - 15 years (or useful life)
- Real estate - 30 years

**Ineligible Loan Purposes**

- Line of credit.
- Agricultural production which is not part of an integrated business involved in the processing of agricultural products.
- Any project likely to result in the transfer of employment from one area to another.
- Any project involving transfer of ownership unless this will keep the business from closing, prevent the loss of jobs in an area or provide more jobs.
- Paying off a creditor in excess of the value of the collateral.
- Payment to owners, partners, shareholders or others who retain any ownership in the business.
- Corporations and businesses not at least 51% owned and controlled by US Citizens unless financing fixed assets in the United States.
- Charitable and educational institutions, religious organizations and affiliated entities, and fraternal organizations.

**Fees and Costs**

A one-time guarantee fee of 2 percent of the guaranteed principal amount is paid by the lender and may be passed on the borrower. There is also an annual renewal fee of  $\frac{1}{4}$  of 1 percent on the guaranteed unpaid principal amount as of December 31 of each year. Other typical lender costs may also be incurred.

**Borrower Equity Requirements**

A minimum of 10 percent tangible balance sheet equity is required at the time of issuing the loan note guarantee. Twenty percent tangible balance sheet equity is required for new businesses. Equity is developed in accordance with generally accepted accounting principles. Feasibility studies may be required.

**Interest Rate**

Interest rates for loans may be fixed or variable. The rate is negotiated between the lender and borrower and is similar to those rates customarily charged to other borrowers in similar circumstances. A variable rate must be tied to a nationally published rate. Variable rates cannot be adjusted more than quarterly.

**Credit Quality**

Lender addresses the business adequacy of equity, cash flow, collateral, history, management, and the current status of applicable industry in a written credit analysis.

**Servicing/Liquidation**

Financial statements developed in accordance with generally accepted accounting principles are required. Lenders will service and, if necessary, liquidate the loans (with USDA Rural Development's concurrence

## Cooperative Services

USDA has the unique responsibility of coordinating Federal assistance to rural areas of the nation. The Rural Development mission is to help rural Americans to improve the quality of their lives.

USDA Rural Development works to make sure that rural citizens can participate fully in the global economy – with technical assistance and programs that help rural Americans build strong economies to improve their quality of life.

### ***What is a Cooperative?***

User-owned cooperatives process and market products, purchase production supplies or consumer goods, provide housing and credit, build and operate rural utilities, and provide other services needed by rural residents. By working together for their mutual benefit in cooperatives, rural residents are often able to reduce costs, obtain services that might otherwise be unavailable, and achieve greater returns for their products. Cooperatives, both rural and urban, have been part of the American economy for more than 100 years. By one estimate, nearly one-third of the population belongs to some type of cooperative. Application of the cooperative business structure in rural economies is virtually limitless.

### ***How USDA Helps Rural Cooperatives***

USDA Rural Development helps rural residents form new cooperative businesses and improve the operations of existing cooperatives. To accomplish this, USDA Rural Development's Cooperative Programs provides technical assistance, conducts cooperative-related research, and produces information products to promote public understanding of cooperatives.

For most of the past century, USDA's cooperative assistance has been concentrated on agricultural cooperatives. While agricultural marketing and supply cooperatives remain a primary focus of USDA's efforts, Rural Development research and co-op educational products help all types of rural cooperatives.

### **Cooperative Development Assistance**

USDA Rural Development provides a wide range of assistance for people interested in forming new cooperatives. This help can range from an initial feasibility study to the creation and implementation of a business plan. Cooperative Programs staff includes cooperative development specialists who do everything from identifying potential cooperative functions to identifying best business and governance practices. They also provide training for cooperative directors.

USDA Rural Development strives to provide a realistic view of what it will take to make a new cooperative succeed. Staff members may also work in conjunction with cooperative development specialists in some of USDA Rural Development's State Offices around the Nation.

### **Technical Assistance**

Cooperative Programs provides technical assistance to existing cooperatives facing specific problems or challenges. Technical assistance could include helping a cooperative develop a strategic marketing plan to cope with new competitive forces, helping a co-op make a crucial decision whether to merge or form a joint venture with other cooperatives, or in finding a way to turn the raw products of cooperative members into value-added products. These matters are often crucial issues not only for a cooperative, but also for the rural communities in which they operate.

Cooperative Programs can help improve a cooperative's business structure and operating efficiency by analyzing operations, assisting the economic feasibility of adding new facilities, new products or services. Studies cover the full range of decisions facing cooperative businesses. Technical assistance is largely designed to benefit a specific cooperative business or group. However, the results often provide business strategy for all cooperatives.

### **Research**

Cooperative Programs conducts research to provide a knowledge base to help cooperatives deal with changing markets and business trends. Studies include financial, structural, managerial, policy, member governance, legal, and social issues, as well as various other economic activities of cooperatives.

Research is designed to have direct application to current and emerging requirements of cooperatives. A major challenge is to analyze industry structure and cooperative operational practices to determine the changes required to maintain or achieve a producer-oriented

marketing system. Research studies have focused on capitalization plans used by cooperatives, identification of new niche markets for cooperatives, and opportunities and obstacles cooperatives face when exporting goods overseas.

### **Education and Information**

The Cooperative Marketing Act of 1926 mandates that USDA "...promote the knowledge of cooperative principles and practices and cooperate in promoting such knowledge with educational and marketing agencies, cooperative associations, and others." To meet this goal, USDA provides a wide range of cooperative training programs and educational materials.

Cooperative Programs maintains a storehouse of information about cooperatives which it makes available to the public through more than 150 research reports, educational publications, and videos covering all aspects of cooperative operations. A bimonthly magazine, *Rural Cooperatives*, reports significant achievements by cooperatives and highlights of Cooperative Programs research, technical assistance, and educational activities.

### **History and Statistics**

Cooperative statistics are collected to detect growth trends and changes in structure and operations of the Nation's farmer-owned cooperatives. Data help identify and support research and technical assistance activities. This information is used extensively by legislative and executive branches of government in formulating agricultural and cooperative related policy.

For more Co-op Information:  
Website: <http://www.rurdev.usda.gov>

## ***COOPERATIVE SERVICES***

Cooperatively owned businesses have clearly demonstrated their role in rural development. Not only do cooperatives develop leadership, which extends to other community organizations and businesses, but the economic impact they have upon locally owned farms and allied sectors keeps income circulating in these communities. This leads to more jobs, improved rural infrastructure and more vibrant communities.

Kansas cooperatives are an important part of the State economy. The 148 plus agricultural cooperatives generate over \$5 billion in annual business volume. Twenty-nine rural electric cooperatives and 10 rural telephone cooperatives serving Kansas communities reported revenues of nearly \$345 million. Kansas Credit Unions have over \$231 million dollars in assets. The 14 Farm Credit cooperatives who finance production agriculture maintains an average loan volume of \$2 billion and 369 dairy herds participate in dairy herd improvement programs.

The type and scope of cooperatives vary from small businesses meeting specialized needs to large cooperatives serving a multi-nations clientele.

Regardless of the size or scope of the cooperative business, three basic principles govern the business. These principles are: **User-Owned**--the people who use the cooperative own it. The users own the assets, and have the obligation to provide financing in accordance with use:

**User-Benefited** is demonstrated by members uniting to get services otherwise not available, to get supplies at the right time, to have access to markets or other mutually beneficial reason: **User-Controlled** principle is demonstrated, as owners, the members control its activities. This control is exercised through voting on membership issues. The purpose of a cooperative is not to generate profit for investors, but to provide benefits to its member-users.

USDA's State Rural Development office in Topeka offers assistance to groups wanting to explore starting a new cooperative and existing cooperatives requesting technical assistance. Help for developing cooperatives is provided in the areas of business feasibility, organizational structure, financing, business planning and implementation. Assistance for existing cooperatives is available in the areas of financial planning, organization, feasibility and analysis, strategic planning plus education programs and resource materials.

**Financial programs available for cooperatives** include the Business and Industry Guaranteed Loans, Business and Industry Direct Loans, Rural Business Enterprise Grants, Rural Economic Development Loans and Grants, and:

**Cooperative Value Added Program** provides funds for cooperatives to develop plans for producing value-added products from members products.

**Cooperative Development Grants** assist cooperative development centers working in partnership with other State, national and local organizations help establish and strengthen cooperatives.



## ***INTERMEDIARY RELENDING PROGRAM***

### **The Program**

The USDA Rural Development and Rural Business and Cooperative Development Programs Staff can make a loan at one percent (1%) interest for thirty (30) years to a qualified intermediary organization that uses USDA Rural Development funds and other available funds to make loans to ultimate recipient projects in rural communities with a population of 25,000 or less. The intermediary will establish a revolving loan fund to assist qualified projects.

### **Eligibility**

- Intermediaries can be public agencies (state or local governments), private nonprofit organizations, Indian groups or certain cooperatives.
- Intermediaries must have appropriate legal authority and sufficient capitalization and experience to successfully operate a loan program. There must be assurance of repayment of the USDA Rural Development loan, and the loan must not be available from other sources at reasonable rates and terms.

### **Purposes**

- Intermediary loans to ultimate recipients must be for community development projects, establishment of new businesses, expansion of existing businesses and for creating or saving jobs.
- Intermediaries may not use loan funds for charitable, educational, fraternal or religious organizations.
- Intermediaries may not make loans for agricultural production (with some exceptions), transfer of ownership (unless jobs will be saved), or hotels, recreation centers and certain other purposes.

### **Ultimate Recipient Projects**

- With USDA Rural Development concurrence, the intermediary determines appropriate projects to improve economic conditions in rural areas.
- Interest rates between the intermediary and ultimate recipient are determined by those parties but are expected to be as low as possible.
- To be eligible for a loan, a project must be unable to get credit from private sources at reasonable rates and terms.
- USDA Rural Development loan funds may not be used to finance more than 75% of a project or \$250,000 whichever is lower. Other funds may be used if necessary.

**Ultimate Recipient Projects...continued**

USDA Rural Development loans to intermediaries and intermediaries loans to ultimate recipients must be adequately secured.

All intermediary applications are assigned priority points for funding based on intermediary equity, other funds involved, and area income and employment level, etc. Applicants compete on a national basis.

At least 51% of membership or ownership of an intermediary or ultimate recipient project must be citizens of the United States or legally admitted for permanent residence.

RD Instruction 4274-D, "Rural Development - Intermediary Relending Program," may be requested for a complete explanation of the program.

## ***RURAL BUSINESS ENTERPRISE GRANT PROGRAM***

### **Purpose**

To support the development of small and emerging private business enterprises in rural areas.

### **Eligibility**

Recipients of grants are public bodies and private nonprofit corporations in a rural area with a population under 50,000.

### **Use of Funds**

May be used to finance and develop small and emerging private business enterprises in rural areas including, but not limited to, the following:

- Acquisition and development of land, easements, and rights-of-way.
- Construction, conversion, enlargement, repairs, or modernization of building, plants, machinery, equipment, access streets, and abatement facilities.
- Loan for start-up operating costs and working capital.
- Technical assistance for private business enterprises.
- Reasonable fees and charges for professional services.
- Refinancing of debts, excluding interest for an association under certain conditions.
- Providing financial assistance to third parties through a loan.
- Training, when necessary, private business enterprises in connection with technical assistance.

### **When funds May Not Be Used**

- To produce agriculture products.
- To finance comprehensive area wide type of planning.
- For loans by grantees when the rates, terms, and charges are not reasonable or for ineligible purposes.
- For programs operated by cable television systems.
- To fund a part of a project which is dependent on other funding unless there is a firm commitment for other funding which will ensure completion of the project.
- To provide a pass-through grant to a business.

## ***RURAL ECONOMIC DEVELOPMENT GRANT PROGRAM***

### **Purpose**

To make available to rural communities through Rural Utility Programs borrowers (1) grants to be used for revolving loan funds for community facilities and infrastructure and (2) grant assistance in conjunction with rural economic development loans.

### **Applicant Eligibility**

Grant funds may be granted to any USDA Rural Development financed electric and telephone borrower that is not financially distressed, delinquent on any federal debt, or in bankruptcy proceedings.

### **Uses of Grant Funds**

To establish a revolving Loan Fund (RLF) by the Rural Utility Programs Borrower.

Initial RLF Loan to be for the following types of projects:

- Business incubators established by non-profit and/or public bodies.
- Community development assistance (non-profit and public bodies).
- Projects to public, for-profit or non-profit entities to provide education and training to rural residents to facilitate economic development.
- Projects to public, for-profit or non-profit entities to provide medical care to rural residents.

Project feasibility studies/technical assistance (feasibility studies in conjunction with a loan).

### **Revolving Loan Funds**

Revolving loan funds will be provided only to USDA Rural Development borrowers on a non pass-through basis. USDA Rural Development borrowers will, in turn, provide loans to foster rural economic development.

### **Administration of Revolving Loan Funds**

Initial loan funds may be used for:

- Business incubators by non-profit groups.
- Community development.
- Facilities and equipment for education.
- Facilities and equipment for medical care.

Loans made from repayments of the initial loans made by USDA Rural Development borrowers may be used for any rural economic development purpose in accordance with prior agreement between the borrower and USDA Rural Development.

Borrowers may charge reasonable loan servicing fees.

The borrower will provide a Board Resolution certifying a commitment to provide and maintain additional funding to the revolving loan fund in an amount no less than 20% of the USDA rural Development grant approved.

**Administration of Revolving Loan Fund...continued:**

The borrower must supply USDA Rural Development a proposed budget demonstrating that no more than 10% of grant funds received are used to cover operating expenses of the revolving loan fund.

The funds must be lent to the project within three (3) years of the date of grant approval by USDA Rural Development.

USDA Rural Development requires that the revolving loan program be administered in accordance with a rural development plan, developed by the borrower and approved by USDA Rural Development.

Borrowers applying for grant funds must submit a scope of work to USDA Rural Development.

**Rural Development Plan**

USDA Rural Development requires that the revolving loan program be administered in accordance with a rural development plan, developed by the borrower and approved by USDA Rural Development.

The plan must outline the following:

- Specific objectives for the revolving loan fund program, lending parameters, maximum and minimum loan.
- Documentation of borrower's coordination of lending activities with other local entities that provide financing for rural economic development.
- Eligibility criteria if other than outlined in this section.
- The application process and method of disposition of the funds to the project owner.
- A procedure for monitoring the project owner's accomplishments and reporting requirements by the project owner's management.

**The Scope of Work**

Borrowers applying for grant funding must submit a scope of work to USDA Rural Development.

The Scope of Work must contain the following:

- Documented need for grant funds.
- Documented authority and ability of the borrower to administer the revolving loan fund.
- Documented ability to commit financial resources under the control of the borrower to assist in the establishment of a rural development program.
- Documentation that the borrower has secured commitments of significant financial support for supplemental support.
- A list of proposed fees and other charges.
- Borrowers policy for non-Federal funds.

**Ineligible Purposes**

- Any project in which any director, officer, manager or stockholder, or relative thereof, who has a significant ownership interest or which would, in the judgment of the Administrator, present a potential for, or appearance of, a conflict of interest.
- Costs incurred prior to receipt of the completed application, without prior written approval.
- To refinance any debt incurred prior to the receipt of the completed Application.
- For any electric or telephone purpose.
- For the borrower's electric or telephone operation.
- Any operations affiliated with the borrower without prior written approval.
- To pay salaries or any employee or owner of the borrower or its affiliates.
- Community antenna television systems or facilities unless in conjunction with educational or medical entities and projects.

**Supplemental Funding Requirement**

A project will not be selected unless supplemental funding is provided in an amount equaling at least 20% of the amount of the zero-interest loan or grant funds provided by USDA Rural Development.

Supplemental funding may be provided by the project owner in the form of equity funds, private sources, state and local government sources, other Federal Government sources, the USDA Rural Development borrower, etc.

**Loans in Conjunction with Grants**

Grants (up to 20% of the amount provided by USDA Rural Development) made in conjunction with USDA Rural Development zero-interest loans are limited to:

- Project feasibility studies.
- Acquisition of technical assistance.
- Business incubators by non-profit groups.
- Community development.
- Facilities and equipment for education.
- Facilities and equipment for medical care.

**Application Submission and Review**

The following factors will be considered in the selection process:

- Nature of the project.
- Job creation projections.
- Long-term improvements in economic development.
- Diversifying the rural economy or alleviating under-employment.
- Supplemental funds.
- Economic conditions and job creation.
- Unemployment rates.
- Per Capita personal income.

**Application and Submission Review...continued**

- Change in population.
- Number of long-term jobs.
- Community-based Economic Development Program.
- Plan for improving the marketable skills of people in rural areas.
- Location (rural).
- Support for the program - funds deposited in the cushion-of-credit account.
- Demonstration Project.
- Probability of success.

**Source of Funds**

All funds for grants available under this program are provided by the following sources:

- Interest differential credits to the Rural Economic Development Subaccount.

**Maximum and Minimum**

The National Office annually determines the maximum/minimum amounts.

## ***RURAL ECONOMIC DEVELOPMENT LOAN PROGRAM***

### **Purpose**

Provides zero interest loans and grants to USDA Rural Development borrowers to promote rural economic development and job creation projects.

### **Applicant Eligibility**

Zero interest loans and grants may be made, at the discretion of the Administrator, to any USDA Rural Development borrower that is not delinquent on any Federal debt or in bankruptcy proceeding.

### **Loan Purposes**

To promote rural economic development and/or job creation projects, including, but not limited to:

- Real Estate Improvements.
- Machinery and Equipment.
- Other Start-up costs.

### **Ineligible Purposes**

- Any project in which any director, officer, manager, or stockholder, or relative thereof, who has a significant ownership interest or which would, in the judgment of the Administrator, present a potential for, or appearance of, a conflict of interest.
- Costs incurred prior to receipt of the completed application, without prior written approval.
- Projects located in areas covered by the Coastal Barrier Resources Act or projects which would adversely impact the environment.
- For the purchase or lease of any real property materials, equipment, or services from the borrower, or significant stockholders, officers, managers, or close relatives thereof without the Administrator's prior written approval.
- To refinance any debt incurred prior to the receipt of the completed Application.
- For any electric or telephone purpose.
- For the borrower's electric or telephone operation.
- Any operations affiliated with the borrower without prior written approval.
- To pay salaries or any employee or owner of the borrower or its affiliates.
- Community antenna television systems or facilities unless in conjunction with educational or medical entities and projects.

### **Maximum and Minimum Sizes**

The National Office annually determines the maximum/minimum amounts.



### **Supplemental Funding Requirement**

A project will not be selected unless supplemental funding is provided in an amount equaling at least 20% of the amount of the zero-interest loan or grant funds provided by USDA Rural Development.

Supplemental funding may be provided by the project owner in the form of equity funds, private sources, state and local government sources, other Federal Government sources, the USDA Rural Development borrower, etc.

### **Terms of Zero-interest Loan Repayment**

- The promissory note covering the repayment of the zero-interest loan is between USDA Rural Development and the USDA Rural Development borrower.
- Repayment terms on the loan to the borrower are based on the nature of the project. Ordinarily, the term, including any principal deferment period, will not exceed 10 years.
- Repayment by the recipient must equal the terms to the USDA Rural Development borrower, unless approved by the Administrator.
- Principal repayments may be deferred for a period up to two (2) years by the Administrator. Ordinarily, the deferment for an established business will be limited to one (1) year.

### **Policy**

- Promote projects that will result in a sustainable increase in the productivity of economic resources in rural areas and thereby lead to a higher level of income for rural citizens.
- USDA Rural Development borrowers promote economic development in rural areas and job creation projects that (1) are based on sound economic and financial analyses and (2) take a long-term perspective.
- Encourage economic development in rural areas and job creation projects without regard to service area.
- To promote financially viable projects.
- To encourage USDA Rural Development borrowers to deposit funds in cushion-of-credit accounts.

### **Application Submission Requirements**

An “Application” must consist of:

- Standard Form 424: “Application for Federal Assistance.”
- Board Resolution (ref. to 7 CFR 1703.34(2)).
- Miscellaneous Federal Forms and Certifications
  - ⇒ Narrative discussion of the following:
  - ⇒ “Selection Factors” as set forth in 1703.35.
  - ⇒ “Project Description” as set forth in 1703.38.
  - ⇒ Except for applications for feasibility studies, a discussion regarding the “Environmental Impact of the proposed project.”

### **Application Review**

The following factors will be considered in the selection process:

- Nature of the project.
- Job creation projections.
- Long-term improvements in economic development.
- Diversifying the rural economy or alleviating under-employment.
- Supplemental funds.
- Economic conditions and job creation.
- Unemployment rates.
- Per Capita personal income.
- Change in population.
- Number of long-term jobs.
- Community-based Economic Development Program.
- Plan for improving the marketable skills of people in rural areas.
- Location (rural).
- Support for the program funds deposited in the cushion-of-credit account.
- Demonstration Project.
- Probability of success.
- Special economic status.

**Other Considerations**

- Environmental Requirements.
- Equal opportunity and nondiscrimination.
- Architectural Barriers Act of 1968.
- Flood hazard area precautions.
- Real property acquisition and relocation.
- Department and Suspension.
- Drug-free workplace (grant only).
- Restrictions on lobbying.

**Source of Funds**

Funds for zero-interest loans are derived from annual appropriations from Congress.

The National Office annually determines the maximum/minimum amounts.

## VALUE ADDED PRODUCER GRANTS

The program is designed to help producers expand their customer base for their products or commodities and ensure that a greater portion of the revenues derived from the value-added activity is available for the producer

Maximum grant amount for a planning grant is \$100,000.

Maximum grant amount for a working capital grant is \$300,000.

Applicants must provide matching funds at least equal to the grant.

### Eligible Applicants -

1. Independent producers  
Individual producer or a producer owned corporation, LLC, or LLP
2. Agricultural producer groups  
Trade association or commodity group
3. Farmer or rancher cooperatives
4. Majority owned/controlled producer based business ventures

Producer groups, cooperatives, and majority owned business ventures must limit their proposals to those entering emerging markets -

1. A new product going into an old market
2. An old product going into a new market

### Eligible Products -

1. Products that have undergone a change in a physical state or form  
Milling wheat into flour
2. Products produced in a manner that enhances its value  
Organically produced
3. Physical segregation of products in a manner that enhances its value  
Identity preserved marketing system  
Collecting methane from animal waste and using to generate energy
4. Using agricultural products to produce renewable energy on a farm

### Eligible Purposes -

1. Planning activities  
Feasibility studies, marketing and business plans, legal evaluations
2. Working capital  
Salaries, utilities, inventories, office equipment, supplies, etc.
3. Can apply for one or the other, but not both

### Ineligible Purposes -

1. Costs associated with a processing facility or equipment
2. Pay for preparation of the grant activity
3. Expenses not directly related to the funded venture
4. Costs incurred prior to receiving the grant
5. Expenses related to agricultural production

### **Value Added Producer Grants, continued**

Completed applications should be sent to:

USDA Rural Development  
Business & Community Programs  
ATTN: F. Martin Fee, B&CP Specialist  
1303 SW First American Place  
Suite 100  
Topeka, KS 66604-4040

For further information contact:

USDA Rural Development  
Business and Community Programs  
F. Martin Fee, B&CP Specialist  
1303 SW First American Place  
Suite 100  
Topeka, Kansas  
Phone: 785 271 2744  
Fax: 785 271 2771

RBS website: [www.rurdev.usda.gov/rbs/coops/vadg.htm](http://www.rurdev.usda.gov/rbs/coops/vadg.htm)

## **Farm Bill Section 9006 Renewable Energy and Energy Efficiency Program Fiscal Year 2006**

### **Overview**

- Created to help agricultural producers and rural small businesses to purchase renewable energy systems or make energy efficiency improvements.
- July 18, 2005 RD Instruction 4280-B was issued to govern the Renewable Energy Systems and Energy Efficiency Improvements Program (Grant and Guaranteed Loan Program).
- Fiscal Year 2005 greater than \$22.2 million in competitive grants were selected for 154 projects in 32 states.
- Complete applications must be submitted to the USDA Rural Development State Office.

### **Applicant Eligibility (Grant and Guaranteed Loan Program)**

1. Applicant must be an agricultural producer or rural small business.
2. Applicant headquarters may be in a rural or non-rural location.
3. Individuals must be U.S. citizens or legal permanent residents of the U.S.
4. Entities must be at least 51 percent owned by individuals who are either U.S. citizens or legal permanent residents of the U.S.
5. Applicant may not have Federal Court judgments, delinquent Federal Income Taxes, delinquent Federal debt or be debarred from receiving Federal assistance.
6. Applicant must demonstrate financial need for grant applications.
7. Applicant or owner who has received one or more grants and/or loans under this program must make satisfactory progress, as determined by the Agency, toward completion of any previously funded projects before it will be considered for subsequent funding.

### **Amounts and Matching Funds (Grant and Guaranteed Loan Program)**

1. Minimum /maximum grant for Renewable Energy Systems is \$2,500 - \$500,000.
2. Minimum/maximum grant for the Energy Efficiency Improvement projects is \$1,500 - \$250,000.
3. Maximum grant per applicant per fiscal year is \$750,000.
4. Grant requests cannot exceed 25 percent of the total eligible project costs.
5. Applicant must provide at least 75 percent of the total eligible project costs as matching funds.
  - Applicant in-kind and other Federal grants may not be used to meet this requirement.
  - Third-party in-kind is limited to 10 percent of the total eligible project costs.
6. Maximum Guaranteed Loan will not exceed 50 percent of total eligible project costs.
7. Minimum/maximum Guaranteed Loan is \$5,000 - \$10 million.
8. Maximum combined grant and guaranteed loan may not exceed 50 percent of total eligible project costs.

### **Project Eligibility (Grant and Guaranteed Loan Program)**

1. Projects must be for the purchase of a renewable energy system or to make energy efficiency improvements.
  - Renewable Energy System – System that produces or produces and delivers usable energy from a renewable energy source
  - Energy Efficiency Improvement – Improvements to a facility, building, or process that reduces energy consumption, or reduces energy consumed per square foot.
2. Projects must be for a pre-commercial or commercially available and replicable technology.

3. Projects must have technical merit.
4. Project must be located in a rural area – Any area other than a city or town with a population over 50,000. Cannot be in an urbanized area adjacent to such a city or town.
5. Applicant must be the owner of the project and control the revenues and expenses of the project, including operation and maintenance.
6. Site must be controlled by the agricultural producer or small business for the financing term of any associated loans or loan guarantees.
7. Satisfactory sources of revenue in an amount sufficient to provide for the operation, management, maintenance, and debt service of the project must be available for the life of the project.

### **Eligible Project Costs (Grant and Guaranteed Loan Program)**

1. Post application purchase and installation of equipment (new, refurbished, or remanufactured), except agricultural tillage equipment, used equipment, and vehicles.
2. Post application construction or improvements, except residential.
3. Energy audits or assessments.
4. Permit and license fees.
5. Professional service fees, except for application preparation.
6. Feasibility studies and technical reports.
7. Business plans.
8. Retrofitting.
9. Construction of a new energy efficient facility only when the facility is used for the same purpose, is approximately the same size, and based on the energy audit will provide more energy savings than improving an existing facility. (Only the items identified in the energy audit are allowed.)
10. Working Capital (Guaranteed Loan only).
11. Land Acquisition (Guaranteed Loan only).

### **Ineligible Project Costs Include**

Any costs not identified above as eligible costs.

### **Technical Requirement Reports**

1. There are different requirements based on type of technology and size of project
 

Bioenergy	Anaerobic Digester
Geothermal, Electric Generation	Geothermal, Direct Use
Hydrogen	Solar, small (10kw or smaller)
Solar, Large (larger than 10kw)	Wind, small (100kw or smaller)
Wind, Large (larger than 100kw)	Energy efficiency improvements
2. Technology guides are available on the web site: <http://www.rurdev.usda.gov/rbs/farmbill>
3. Projects with total eligible project costs greater than \$1,200,000, the Technical Report must be reviewed and include an opinion and recommendation by an independent qualified consultant.

### **Renewable Energy Systems**

1. Projects with total eligible project costs in excess of \$400,000 require the services of a professional engineer.
2. Projects with total eligible project costs in excess of \$200,000 require a business-level feasibility study by an independent, qualified consultant.

**Energy Efficiency Improvement Projects**

1. Projects with total eligible project costs greater than \$50,000 an energy audit must be conducted by or reviewed and certified energy manager or professional engineer.
2. Projects with total eligible project cost in excess of \$200,000 require the services of a professional engineer.

**Interest Rates (Guaranteed Loan Program)**

Will be negotiated between the Lender and the Applicant.

**Terms of Loan (Guaranteed Loan Program)**

1. Real estate must not exceed 30 years.
2. Machinery and equipment must not exceed 20 years or useful life.
3. Combined loans of real estate and machinery must not exceed 30 years.
4. Working Capital must not exceed 7 years.

**Guaranteed/Annual Renewal Fees**

1. Guaranteed fee of 1 percent at time of loan note guarantee is issued (may be passed to the borrower).
2. Annual Renewal fees will be 1/8 of 1 percent based on unpaid principal balance (may NOT be passed to the borrower).

**How do Applicants Apply?**

- Applicant period, guaranteed loans are processed continuously throughout the year and grant funds will be awarded competitively 2-4 times per year.
- Plan your project, consult experts, and start making decisions.
- Complete Technical Report – Required for all projects, follow the format in the guidelines which include 10 aspects of the project that must be addressed.
- If an energy efficiency project, get an energy audit or assessment completed.
- Early, provide environmental information to the USDA Rural Development Area Office.
- Follow the RD Instruction 4280-B for the application requirements and other details.
- Regulations, application forms, technical guides, and other supporting material are available at USDA.
- Contact your USDA Rural Development Office for details and assistance in putting your grant application together.
- Applicants must self-score their project – RD will verify and documentation is critical.
- **Must submit an original and one complete copy of each application to the Kansas USDA Rural Development State Office at:**

USDA Rural Development  
Business and Community Programs  
1303 SW First American Place, Suite 100  
Topeka, KS 66604-4040

USDA Farm Bill Section 9006 web site: <http://www.rurdev.usda.gov/rbs/farmbill/>

Kansas USDA Rural Development web site: <http://www.rurdev.usda.gov/ks>

**For Further Information Contact:**

USDA Rural Development  
Business and Community Programs  
1303 SW First American Place, S. 100  
Topeka, Kansas 66604-4040

F. Martin Fee  
Business and Community Programs Specialist  
Phone: (785) 271-2730  
FAX: (785) 271 2771  
Email: [martin.fee@ks.usda.gov](mailto:martin.fee@ks.usda.gov)

USDA Rural Development  
2715 Canterbury Drive  
Hays, Kansas 67601

Brandon Prough  
Area Specialist  
Phone: (785) 628-3081  
FAX: (785) 625-6065  
Email: [brandon.prough@ks.usda.gov](mailto:brandon.prough@ks.usda.gov)

USDA Rural Development  
202 W. Miller Road  
Iola, Kansas 66749

Randy Snider  
Area Specialist  
Phone: (620) 365-2901  
FAX: (620) 365-5785  
Email: [randy.snider@ks.usda.gov](mailto:randy.snider@ks.usda.gov)

USDA Rural Development  
2615 Farm Bureau Road  
Manhattan, Kansas 66502

Jeff Schminke  
Area Specialist  
Phone: (785) 776-7582  
FAX: (785) 539-2733  
Email: [jeff.schminke@ks.usda.gov](mailto:jeff.schminke@ks.usda.gov)



# *Rural Housing Programs*

## Community Facilities Loans and Grants

Community facilities—such as health care clinics, police and fire stations, schools and child care centers—are essential to the quality of life in rural communities. Through its Community Facilities Loan and Grant programs, USDA Rural Development is striving to ensure that such facilities are readily available to all rural Americans. The commitment of USDA to this effort is at the core of its mission and its promise to help build stronger, more vibrant rural communities across the nation.

USDA Rural Development can make and guarantee loans to develop essential community facilities in rural areas and towns of up to 20,000 in population. Rural Development can guarantee loans made and serviced by lenders such as banks, savings and loans, mortgage companies which are part of bank holding companies, members of the Farm Credit System, or insurance companies regulated by the National Association of Insurance Commissioners. USDA Rural Development may guarantee up to 90 percent of any loss of interest or principal on the loan. Normally, guarantees will not exceed 80 percent. Direct loans from USDA can also be made to applicants who are unable to obtain commercial credit.

Grants are authorized on a graduated scale. Priority is given to applicants in rural communities with populations of 5,000 or less. Applicants with low median household income receive a higher percentage of the grants.

### *How May Funds Be Used?*

Loan funds may be used to construct, enlarge, or improve community facilities for health care, public safety, and public services. This can include costs to acquire land needed for a facility, pay necessary professional fees, and purchase equipment required for its operation.

Examples of essential community facilities include:

#### **Health Care**

Clinics, ambulatory care centers, hospitals, rehabilitation centers, and nursing homes.

#### **Education**

Schools, school buses, Headstart centers, pre-schools, child care centers and college classrooms and dormitories.

#### **Public Safety**

Communications centers, police and fire stations, fire trucks, rescue vehicles, and jails.

#### **Public Services**

Adult day care centers, city halls, courthouses, community centers, homeless shelters, domestic abuse centers, food banks, airports, garages, off-street parking facilities, sidewalks, street improvements, libraries, museums, fairgrounds, and animal shelters.

***Who May Apply?***

Loans and guarantees are available to public entities such as municipalities, counties, and special-purpose districts, as well as to nonprofit corporations and tribal governments.

In addition, applicants must have the legal authority to borrow and repay loans, to pledge security for loans, and to construct, operate, and maintain the facilities. They must also be financially sound and able to organize and manage the facility effectively.

Repayment of the loan must be based on tax assessments, revenues, fees, or other sources of money sufficient for operation and maintenance, reserves, and debt retirement.

For grant funding, the facility must serve areas where the median household income of the population is either below the poverty line or below 90 percent of the State non-metropolitan median household income (whichever is higher).

***What Are the Terms?***

The maximum term for all loans is 40 years. However, the repayment period is limited to the useful life of the facility or any statutory limitation on the applicant's borrowing authority.

***What Is the Interest Rate?***

Interest rates for direct loans are based on current market yields for municipal obligations, although loans for facilities impacting prime or unique farmland may require a slightly higher rate. Certain other direct loans may qualify for a lower interest rate, depending upon the median household income of the residents of the community to be served. Interest rates for guaranteed loans may be fixed or variable as determined by the lender and borrower, subject to USDA review and approval.

***What Security is Required?***

Bonds or notes pledging taxes, assessments, or revenues will be accepted as security if they meet statutory requirements. Where State laws permit, a mortgage may be taken on real and personal property. Tax-exempt notes or bonds may be issued to secure direct loans, but cannot be used for guaranteed loans.

***What is the Maximum Grant?***

Grant assistance may be available for up to 75 percent of project costs. A scale is used to determine grant funding limitations based on population and income. Assistance may be further limited to the minimum amount needed for economic feasibility of the project, and with consideration to availability of funds.

## ***How Are Applications Made?***

Applications are handled by USDA Rural Development field offices. USDA Rural Development staff will be glad to discuss a community's needs and the services available from USDA . USDA field staff can provide application materials and current program information, and assist in the preparation of an application.

USDA Rural Development field office locations are generally listed in local telephone directories under the heading "U.S. Government, Department of Agriculture."

Kansas State Office:  
USDA Rural Development

1303 SW First American Place  
Suite 100  
Topeka, Kansas 66604-4040  
(785) 271-2730 or FAX (785) 271-2771  
Website: <http://www.rurdev.usda.gov/ks>

Interested applicants and lenders may also contact the Housing and Community Programs National Office staff at the following address:

USDA Rural Development  
Community Programs Division  
1400 Independence Avenue, SW.  
Washington, D.C. 20250-0700

Telephone: (202) 720-1490  
Fax: (202) 690-0471

## *Examples of Essential Community Facilities*

### **Community Health Care**



Dental Clinic  
Nursing Home  
Assisted Living Facility  
Physicians Clinic  
Boarding Home for the Elderly  
Hospital (General & Surgical)  
Medical Rehabilitation Center  
Psychiatric Hospital  
Outpatient Clinic

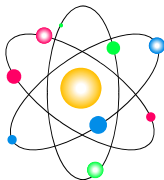
### **Cultural & Educational**



All Purpose Buildings/College Campus  
Colleges  
Educational Camp for Physically and  
Mentally Handicapped  
Library  
Museum  
Outdoor Theater  
Public School  
School Maintenance & Equipment Service  
Center  
Vocational School

### **Energy Transmission & Distribution**

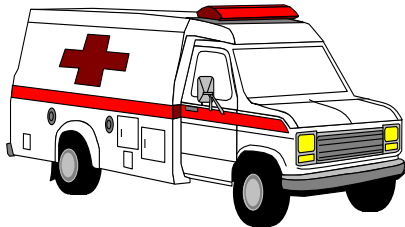
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Electric Equipment Maintenance Building  
Low Head Hydro-Electric Facility  
Natural Gas Distribution

## *Examples of Essential Community Facilities*

### **Fire, Rescue & Public Safety**



Civil Defense Building  
Communication Center  
Fire Department Building  
Fire Trucks  
Jail  
Mobile Communications Center  
Multi-Service Fire/Rescue Building  
Police Station  
Rescue & Ambulance Service Building  
Equipment Building  
Jaws of Life

### **Public Buildings & Improvements**



Adult Day Care Center  
Child Day Care Center  
City Hall  
Community Health Department  
County Office Building  
Community Center  
County Courthouse  
Courthouse Annex  
Data Processing Center  
Food Preparation Center  
Food Storage and Distribution Center  
Heating Plant for Public Buildings  
Home for Delinquents  
Public Maintenance Building  
Community Center

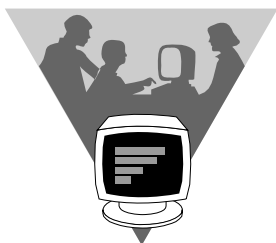
## *Examples of Essential Community Facilities*

### **Transportation**



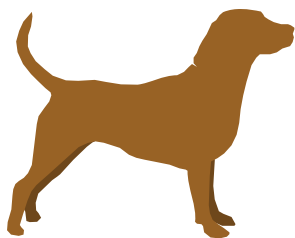
Airport Hangar  
Airport  
Bridge  
City Airport  
Municipal & County Garage  
Off-street Public Parking  
Sidewalks  
Street Improvements  
Infrastructure for Industrial Park  
Railroad  
Town Bus Service/Equipment  
Marina  
Municipal Dock  
Special Transportation Equipment

### **Utility**



Telemedicine / Distance Learning  
Natural Gas

### **Other**



Agricultural Fairgrounds  
Animal Shelter  
Dike  
Special Services Building  
Sprinkler System

## ***COMMUNITY FACILITIES DIRECT LOAN PROGRAM***

USDA Rural Development is authorized to make loans to develop community facilities for public use in rural areas and towns of not more than 20,000 people.

Applications will be considered without regard to race, color, religion, sex, marital status, age, handicap, or national origin of members of the group applying for assistance. Opportunity to construct, develop, and use the facilities must be extended on this same basis.

### **Who may receive assistance?**

Loans are available for public entities such as municipalities, counties, and special purpose districts. Nonprofit corporations and Indian tribes may also receive loan assistance when adequate plans for loan repayments are made.

In addition, borrowers must:

- Be unable to obtain needed funds from other sources at reasonable rates and terms.
- Have legal authority to borrow and repay loans, to pledge security for loans, and to construct, operate, and maintain the facilities or services.
- Be financially sound, and be able to organize and manage the facility effectively.

The project must be based on taxes, assessments, revenues, fees, or other satisfactory sources of money sufficient for operation, maintenance, and reserve, as well as to retire the debt. The project also must be consistent with available comprehensive and other development plans for the community, and comply with Federal, State, and local laws.

### **How may funds be used?**

USDA Rural Development funds may be used to construct, enlarge, or improve community facilities for health care, public safety, and public services.

Health care facilities include hospitals, nursing homes, and dental or medical clinics or medical rehabilitation centers. Funds may also be used for necessary equipment for the operation of these facilities; and to pay other necessary costs connected with them.

Public safety facilities include fire stations and buildings to house fire and/or rescue equipment. Funds may also be used to (1) purchase fire trucks, ambulances, or emergency communications equipment, (2) buy or build fire and rescue multi-service centers, police stations, and jails, and (3) pay necessary costs connected with these facilities.



**How may funds be used.... continued:**

Public service facilities include community buildings, courthouses, public maintenance buildings, libraries, schools, industrial parks, roads, bridges, airports, fairgrounds, utilities, and other improvements or to acquire interest in lands, leases, and rights-of-way necessary to develop the facilities. Loan funds may also be used for necessary equipment for the operation of these facilities.

USDA Rural Development may fund other types of community facilities that provide essential service to rural residents; and to pay necessary costs connected with such facilities.

Interim commercial financing will normally be used during construction, and USDA Rural Development funds will be available when the project is completed. If interim financing is not available or if the project costs less than \$50,000, multiple advances of USDA Rural Development funds may be made as construction progresses.

**What are the terms?**

The maximum term on all loans is 40 years. However, no repayment period will exceed any statutory limitation on the organization's borrowing authority nor the useful life of the improvement or facility.

**What is the interest rate?**

Interest rates will be set periodically and will be based on current market yields for municipal obligations, except that some loans which involve the use of prime or unique farmland may require a slightly higher interest rate. Certain other loans may be made at a lower interest rate. The current interest rate may be obtained from any USDA Rural Development office.

**What security is required?**

All loans will be secured to adequately protect the interest of the Government. Bonds or notes pledging taxes, assessments, or revenues will be accepted as security if they meet statutory requirements. A mortgage may also be taken on real and personal property when State laws permit.

**Where will applicants obtain technical help?**

The USDA Rural Development will assist the applicant in making the first determinations regarding engineering feasibility, economic soundness, cost estimates, organization, financing, and management matters in connection with the proposed improvements.

If financing is provided by USDA Rural Development, the agency will make periodic inspections to see that funds are used as agreed upon.

**How is application made?**

Any USDA Rural Development office can give basic information about community facility loans, but application should be made at the USDA Rural Development field office. The field office staff will be glad to discuss services available from the agency and explain how to prepare a written application.

## ***COMMUNITY FACILITIES GUARANTEED LOAN PROGRAM***

The USDA Rural Development is authorized to guarantee loans made by eligible lenders to borrowers in rural areas and in towns of up to 20,000 population for developing essential community facilities.

### **What is an eligible lender?**

Eligible lenders are those lenders who are subject to credit examination by either a Federal or State Agency. These may include:

- A bank or savings and loan.
- A mortgage company that is part of a bank holding company.
- A farm credit bank of the Federal Land Bank Association.
- An insurance company regulated by the National Association of Insurance Commissioners.
- Others as approved by the USDA Rural Development Administrator.

### **What is an eligible borrower?**

Those borrowing funds under this program must be a non-profit corporation, a public entity such as a municipality, county, or special purpose district, or an Indian tribe. The borrower must have the legal authority to borrow and repay the loan and meet all the requirements of the loan. Applicants for the loan must be unable to obtain the loan from the private or cooperative without the guarantee, at reasonable rates and terms.

### **How may funds be used?**

Funds guaranteed under this program may be used to construct, enlarge, or otherwise improve essential community facilities. This can include costs to acquire interest in lands, leases, and rights-of-way necessary to develop the facility. Funds can also be used for necessary equipment for the operation of the facility.

### **What is the Guarantee?**

Normally the guarantee rate will be 80% of the loan amount. However, USDA Rural Development may guarantee up to 90% when certain extraordinary circumstances exist.

### **What is the Guarantee Fee?**

USDA Rural Development will charge the lender a fee of 1% of the guaranteed portion of the loan. The guarantee fee may be passed on to the borrower.

**What purposes are ineligible?**

Guarantees cannot be issued for:

- Loans made by Federal or State Agencies.
- On-site utility systems or business and industrial buildings in connection with an industrial site.
- Community antenna services or facilities.
- Electrical generation, transmission, or telephone systems.
- Facilities that are not modest in size, design, or cost.
- Loan finders fees.
- Projects located within the Coastal Barriers Resource System that do not qualify for an exception.

**How do I find out more and make an application?**

For further information regarding this program, contact the USDA Rural Development office servicing your area. The USDA Rural Development office staff will be glad to discuss services available from the Agency and explain how to prepare a written application.

## ***COMMUNITY FACILITIES GRANT PROGRAM***

Community Facilities (CF) grants can be issued to assist the poor rural areas and towns in developing essential public community facilities.

### **Authorizing Statute**

Section 763 of Public Law 104-127 amended the Consolidated Farm and Rural Development Act (CONACT) to create the Community Facilities Grant program. The legislative language requires the use of grant funds on a graduated scale enabling rural communities with small populations and low-income levels to receive a greater percentage of grant funds.

### **Who is Eligible?**

Eligibility is limited to associations, nonprofit corporations, public bodies, and federally recognized Indian Tribes serving rural areas. Applicants must:

- Be unable to obtain needed funds from commercial sources at reasonable rates and terms.
- Have the legal authority necessary for construction, operation, and maintenance of the proposed facility.
- Propose facilities that are necessary for orderly community development and consistent with the State's strategic plan.
- Be located in a rural community having a population of 20,000 or less and serve primarily rural areas with populations of 20,000 or less.
- Serve areas where the median household income of the population to be served by the proposed facility is below the higher of the poverty line or 90 percent of the State nonmetropolitan median household income.

### **How may funds be used?**

Grant funds may be used to supplement financial assistance authorized in Rural Development Instruction (RD) 1942-A, "Community Facilities Loans;" RD Instruction 1942-C, "Fire and Rescue Loans;" or RD Instruction 3575-A, "Community Programs Guaranteed Loans." Funding for the balance of the project may consist of other CF financial assistance (direct or guaranteed loans), applicant contribution, or loans or grants from other sources. Typical facilities include public service, health care, telecommunication and public safety.

### **What is the maximum grant?**

Grant assistance may be available for up to 75 percent of project costs. A scale has been developed to predetermine grant funding limitations based on population and income. Grant assistance may be further limited to the minimum amount sufficient to provide economic feasibility to the proposed project and either \$50,000 or 50 percent of a State annual allocation, whichever is greater.

**What are the funding priorities?**

Projects will be selected based on a priority point system. Projects that will receive priority are those that:

- Serve small communities with the highest priority going to those with a population of 5,000 or less.
- Serve very low-income communities with the highest priority going to communities with a median household income below the higher of the poverty line or 60 percent of the nonmetropolitan median household income.
- Provide health care, public safety services, or services identified as necessary in the State strategic plan.

**Limitation on Grant Funds**

Grant funds cannot be used to:

- Pay any annual recurring costs, including purchases or rentals that are generally considered to be operating and maintenance expenses.
- Construct or repair electric generating plants, electric transmission lines, or gas distribution lines to provide services for commercial sale.
- Refinance existing indebtedness, pay interest, or loan/grant finder's fees.
- Pay any costs of a project where the median household income of the population to be served by the proposed facility is above the higher of the poverty line or 90% of the State nonmetropolitan median household income.
- Pay project costs when other loan funding for the project is at reasonable rates and terms.
- Pay costs to construct facilities to be used for commercial rental where the applicant has no control over tenants and services offered.
- Construct facilities primarily for the purpose of housing, State, Federal, or quasi-Federal agencies.
- Finance facilities which are not modest in size, design, and cost.
- Finance recreation facilities or community antenna television services or facilities.

**How are applications processed?**

Applicants will be required to submit supporting data before formal application is made. After determining the order of funding priorities, the Agency will tentatively determine eligibility and request applicants to assemble and submit formal applications. See "What are the funding priorities?"

**Grant Closings and Disbursement of Funds**

If grants are authorized in combination with the CF direct and guaranteed loan programs, loans and grants will be closed simultaneously after determining applicable administrative actions and work required of the applicant have been completed. All borrower funds and other CF financial assistance (direct or guaranteed funds) must be expended before grant funds are made available. Grant funds will not be disbursed from the Treasury until they are actually needed by the applicant.

# *Rural Utilities Programs*

## Water and Environmental Programs

USDA Rural Development administers a water and wastewater loan and grant program to improve the quality of life and promote economic development in rural America. The assistance is available through Rural Development's Rural Utilities programs.

### ***Water and Waste Disposal Direct and Guaranteed Loans***

Direct loans are offered to develop water and wastewater systems, including solid waste disposal and storm drainage, in rural areas and to cities and towns with a population of 10,000 or less. Funds are available to public entities, such as municipalities, counties, special-purpose districts, and Indian tribes. In addition, funds may be made available to corporations operated on a not-for-profit basis.

Priority is given to public entities, in areas with less than 5,500 people, to restore a deteriorating water supply, or to improve, enlarge, or modify a water facility or an inadequate waste facility. Also, preference will be given to requests which involve the merging of small facilities and those serving low-income communities.

Applicants must be unable to obtain funds from other sources at reasonable rates and terms. The maximum term for all loans is 40 years; however, no repayment period will exceed state statutes or the useful life of the facility. Interest rates are adjusted quarterly and may be obtained from any USDA Rural Development office

### **Guaranteed Loans**

Available for the same purpose as direct loans. Guaranteed loans are made and serviced by lenders such as banks and savings and loan associations. Normally, guarantees will not exceed 90 percent on any loss of interest and principal on the loan.

### ***Water and Waste Disposal Grants***

Reduce water and waste disposal costs to a reasonable level for users of the system. Grants are made, in some instances, up to 75 percent of eligible project costs. Eligibility requirements are the same as for direct loans.

### **Technical Assistance and Training Grants**

Made to private nonprofit organizations to provide technical assistance and/or training to associations located in rural areas and to cities and towns with a population of 10,000 or less.

Grant assistance is available to qualified applicants to identify and evaluate solutions to water and waste disposal problems, to improve the operation and maintenance of existing water and waste disposal facilities, and to assist associations in preparing applications for water and waste disposal facilities.

## ***Solid Waste Management Grants***

Make grants to public and private nonprofit organizations to provide technical assistance and/or training to associations located in rural areas and to cities and towns with a population of 10,000 or less.

Grant assistance must be used to reduce or eliminate pollution of water resources, and to improve planning and management of solid waste facilities.

Grants are made to enhance operator skills in operations and maintenance, identify threats to water resources, and reduce the solid waste stream.

### ***Rural Water Circuit Rider Technical Assistance***

Provides on-site technical assistance to help assure cost-effective operation of rural water systems. USDA Rural Development Circuit Rider can provide assistance with day-to-day operational, financial and management problems.

The assistance is available at no charge and may be requested by officials of rural water systems or by USDA Rural Development personnel. It complements supervisory assistance provided by USDA Rural Development personnel.

## ***Applications***

Information about the Water and Environmental Programs and advice on how to assemble information to determine engineering feasibility, economic soundness, cost estimates, organization, financing and management matters, may be obtained from USDA Rural Development field offices. These offices are usually listed in local telephone directories under "U. S. Department of Agriculture."

### ***For More Information***

Water and Waste Disposal Programs Web site at

<http://www.usda.gov/rus/water/index.htm>.

Or write your local or State USDA Rural Development office: (see the US Government listing of your phone directory under US Department of Agriculture, or the National Office) at

USDA Rural Development  
Water and Environmental Programs  
1400 Independence Ave SW  
Stop 1548  
Washington, D.C. 20250-1548  
Phone: (202) 690-2670  
FAX: (202) 720-0718

USDA Rural Development  
1303 SW First American Place  
Suite 100  
Topeka, Kansas 66604-4040  
(785) 271-2730  
(785) 271-2771  
Website: <http://www.rurdev.usda.gov/ks>



## ***DISTANCE LEARNING AND TELEMEDICINE LOAN AND GRANT PROGRAM***

The purpose of the DLT Program is to provide financial assistance to needy recipients in rural community facilities, such as schools, hospitals, and medical centers to encourage, improve, and make affordable the use of enhanced telecommunications computer networks to provide educational and medical benefits and health care opportunities to rural areas.

The innovative use of telecommunications technologies to address this need and the dependence of the application on Federal financial assistance in order to successfully carry out the project will be considered. The applications will be scored in accordance with the provisions of RD Instruction 1703.117, Criteria for Scoring Applications.

### **Loan and Grant Purposes**

- Acquiring eligible equipment by lease or purchase.
  - ⇒ Computer hardware or software.
  - ⇒ Audio and visual equipment.
  - ⇒ Computer network components.
  - ⇒ Telecommunications terminal equipment.
  - ⇒ Data terminal equipment.
  - ⇒ Inside wiring.
  - ⇒ Interactive video equipment.
- Acquiring instructional programming.
- Providing technical assistance and instruction for using eligible equipment.

### **Eligible Applicants**

Incorporated organization, partnership, Indian tribe and tribal organization or other legal entity organized on a for-profit or not-for-profit, which operates a school, college, learning center, or other educational institution, including a library, hospital, medical clinic or any rural community facility.

### **Minimum and Maximum Loans and Grants**

Loans: minimum of \$50,000 and maximum of \$9.6 million

Grants: minimum of \$50,000 and maximum of \$500,000

### **Percentage of Eligible Project Costs**

Loans: cannot exceed 100% of eligible project cost.

Grants: cannot exceed 70% of eligible project cost.

## ***WATER AND WASTE DISPOSAL LOAN AND GRANT PROGRAM***

USDA Rural Development is authorized to provide financial assistance for water and waste disposal facilities in rural areas and towns of up to 10,000 people.

### **Who May Receive Assistance?**

Public entities such as municipalities, counties, special purpose districts, Indian tribes, and corporations not operated for profit. Priority will be given to public entities in areas smaller than 5,500 people to restore a deteriorating water supply, or to improve, enlarge, or modify a water facility or an inadequate waste facility. Preference will also be given to requests which involve the merging of small facilities and those serving low-income communities.

In addition, applicants must:

- Be unable to obtain needed funds from other sources at reasonable rates and terms.
- Have legal capacity to borrow and repay loans, to pledge security for loans, and to operate and maintain the facilities or services.
- Be financially sound and able to manage the facility effectively.
- Have a financially sound facility based on taxes, assessments, revenues, fees or other satisfactory sources of income to pay all facility costs including operation and maintenance, and to retire the indebtedness and maintain a reserve.

Water or waste disposal systems must be consistent with any development plans of the State, multijurisdictional area, counties, or municipalities in which the proposed project is located. All facilities must comply with Federal, State, and local laws including those concerned with zoning regulations, health and sanitation standards, and the control of water pollution.

### **How May Funds Be Used?**

Loan and grant funds may be used to do the following:

- Construct, repair, improve, expand, or otherwise modify rural water supply and distribution facilities, including reservoirs, pipelines, wells, and pumping stations.
- Acquire a water supply or a water right.
- Construct, repair, improve, expand, or otherwise modify waste collection, pumping, treatment, or other disposal facilities. Facilities to be financed may include such items as sewer lines, treatment plants, including stabilization ponds, storm sewer facilities, sanitary landfills, incinerators, and necessary equipment.
- Pay necessary fees such as legal and engineering connection with development of facilities.
- Pay other costs related to the development of the facility including the acquisition of rights-of-way and easements, and the relocation of roads and utilities.
- Finance facilities in conjunction with funds from other agencies or those provided by the applicant.

**How may funds be used....continued**

Interim commercial financing will normally be used during construction, and USDA Rural Development funds will be available when the project is completed. If interim financing is not available, or if the project cost is less than \$500,000, multiple advances of USDA Rural Development funds may be made as construction progresses.

**What are the Terms?**

The maximum term on all loans is 40 years. However, no repayment period will exceed any statutory limitation on the organization's borrowing authority nor the useful life of the improvement or facility to be financed.

**What is the Interest Rate?**

Interest rates will be set periodically and be based on current market yields for municipal obligations. Certain loans may be made at a lower rate. The current rates may be obtained from any USDA Rural Development Office.

**Where and How are Applications Made?**

Applications for financial assistance are made at field offices of USDA Rural Development. The field office staff will be glad to discuss services available from the Agency and explain application procedures. All applications are considered without regard to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (provided the applicant has the capacity to enter into legal contract) of the members of the groups applying for assistance, and service must be extended on the same basis.

**What Security is Required?**

All loans will be secured to adequately protect the interest of the Government. Bonds or notes pledging taxes, assessments, or revenues may be accepted as security if they meet statutory requirements. A mortgage may also be taken on the organization's facilities when State laws permit.

**Grants**

Funds may be available for up to 75 percent of eligible facility development costs. Such assistance may be made available for facilities serving the most financially needy communities to reduce user costs for eligible grant recipients to a reasonable level.

**Where will Applicants Obtain Technical Help?**

USDA Rural Development will advise the applicant as to how to assemble information to determine engineering feasibility, economic soundness, cost estimates, organization, financing, and management matters in connection with the proposed improvements.

If financing is provided, USDA Rural Development will also make periodic inspections to monitor project construction.

# *Office Locations*



***NOTES***